

Kentucky Hospital Association
President Nancy Galvagni
Testimony
Before the Interim Joint Committee on
Appropriations and Revenue
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The collective speed of response to COVID-19 nationwide and in Kentucky has been unprecedented. Unlike the prior two pandemics of the early 21st Century, severe acute respiratory syndrome (SARS) in 2002 and the H1N1 flu better known as “swine flu” in 2009 where months passed before any action was taken by the government or society, quick action was taken to save lives when we knew very little about the novel coronavirus. Those actions have been accompanied by important economic trade-offs.

An economist, Dr. Bruce Yandel, provided an excellent summary of the COVID-19 response in an article in March for the American Institute for Economic Research:

“In the case of the novel coronavirus, a cluster of pneumonia-like illnesses were reported in the Wuhan province of China in late December 2019, with a declaration by China to the WHO on December 31. Within 24 hours, the source of the outbreak had been identified, and the virus was definitively identified by January 7. By January 9, two days before the first death, the genome of the coronavirus had been sequenced.

The first case was reported in the United States on January 21, with CDC test kits available by January 27. Less than a month later, multiple pharmaceutical companies and health research organizations had begun the clinical vaccine trial process. A vaccine developed by Moderna Therapeutics was initially sent to the National Institute of Allergy and Infectious Diseases (NIAID) on February 24, less than two months after the identification of the virus half a world away.”

The mini-history lesson is important in keeping in mind how rapidly things have developed during this on-going public health crisis. An economy which had been going full-throttle was brought to a grinding halt with the completely foreseeable results of massive job losses as business were forced by the circumstances to close their doors in an effort to slow the rampaging disease.

The impact on Kentucky’s hospitals has been no less acute than other businesses. Hospitals large and small, urban and rural, independent or members of a large system, in every corner of our Commonwealth have been hit and hit HARD.

Despite the on-going financial challenges, you may rest assured that our hospitals are doing an excellent job in managing capacity. While we continue to see local surges, contrary to what some in the media have said, hospitals are not over-run by COVID-19 patients. KHA works with our hospitals daily to ensure that capacity and PPE are available as needed.

In fact, many of the local surges have their roots outside Kentucky. With seven other states on our borders, it has not been unusual for

nursing homes just across the border to have a crisis and our Kentucky hospitals have been the best resources for saving lives.

Obviously, hospitals are places of healing and our valiant hospital workers have put their own health at risk to treat patients with such a highly contagious disease as COVID-19. Everyone knows the first place to turn when there is a health emergency is the local hospital.

While none of us has a working crystal ball, it is easy to predict that our society, including our hospitals, will continue to face significant challenges from COVID-19 in the year ahead. The virus will not simply disappear as the bells ring in the New Year -

Even if the good news about vaccines coming on line either later this year or early next year is completely correct. It will still take time for the vaccine to be widely accepted and used. And, even once a vaccine is in widespread use there are no guarantees regarding the level of or the duration of protection.

This all matters for four important reasons:

1. Hospitals are the front line in fighting the effects of COVID-19.
2. Hospitals will continue to face financial challenges from COVID-19.
3. Hospitals, large or small, are economic engines in their communities.
4. Hospitals are a critical resource for luring economic development into a community.

Our hospitals have been willing partners with the state and federal authorities even including the shutdown of elective procedures, from which hospitals derive their working capital and which allows them to provide the other vital services which are revenue losers. Kentucky

hospital losses **just in 2020** from responding to COVID-19 are estimated to exceed \$2.6 Billion. The challenges will continue in 2021.

Despite the heroic efforts of our Kentucky federal delegation – in Congress - to put a tourniquet on our hospitals' losses, federal relief funds have covered less than one-half of that amount, leaving well over \$1billion in uncovered losses by the end of this year.

Let me repeat that, despite what you have read in the paper about millions flowing to the hospitals from Washington, D.C., our already financially pressed hospitals are facing over ONE BILLION DOLLARS in uncovered losses before the end of the year. While our hospitals are most appreciative of the all that Senator McConnell and the other federal officials have done to help, the wolf remains at the door.

In addition to the initial losses from the shutdown of elective procedures, hospitals have faced on-going losses from fear.

Fear has been incredibly destructive to our ability to resume services for many patients. While in-patient treatment has returned to better than 85% of the pre-pandemic norm, use of emergency rooms has never rebounded above 70%.

Fear has cost more than money too. We have heard scores of anecdotes about people whose health and lives might have been saved had they come to the ER in time. People appear to have died from heart attacks and strokes because they were too afraid to seek treatment.

According to a recent study reported by the CDC in the *Morbidity and Mortality Weekly Report*, approximately 41% of adults have avoided treatment, including 12% who did not seek urgent or emergency care in the midst of the pandemic.

You can assure your constituents that the hospitals are some of the safest places they can visit. Hospitals are taking extraordinary precautions to make sure that sick people can safely come for treatment.

Your constituents and our patients are the same people. We ask for your help in reassuring them not to be afraid. They should not skip or delay treatment. Kentucky hospitals are clean, safe, and ready to offer treatment.

Many of our hospital requested advance payments from Medicare to help with critical cash flow when elective procedures were halted. Under the CARES Act, these payments are treated as loans which must be paid back. They are not grants of “free money”.

The losses the hospitals are facing may well cause some of the most crucial economic engines to shut down. All hospitals are significant employers in their communities, and in many communities, the hospital is the largest employer.

We have already seen some of the economic impact from the furloughs many hospitals were forced to make as elective procedures were stopped to prepare for a surge in COVID-19 patients that did not happen. As revenues were hemorrhaging, well over 3,000 workers

were laid off in an effort to keep the lights on and the doors open in already financially fragile institutions.

Hospitals tend to pay some of the higher wages in many communities and the multiplier effect of those wages ripple across the economy creating other jobs from commerce, savings, and taxes.

If a number of hospitals are forced to close or cutback on services, the impact on employment and the economy will be devastating for many communities around the state. Which of your communities would not be devastated by the loss of a business employing hundreds or even thousands of well-paid employees?

Hospital purchases along with their employees' wages and taxes support a multitude of other jobs which are the infrastructure of state and local government.

It was devastating news to us at KHA when Our Lady of Bellefonte in Greenup County closed earlier this year. Your friend and colleague Dr. Bentley can tell you firsthand about the anguish brought on by that closing. Access to care was diminished and approximately 1,000 jobs were lost.

News reports at the time of the closure announcement estimated the City of Russell would lose over 25% of its payroll tax receipts because of the loss of the hospital. Few local governments can sustain that kind of budgetary loss without a dramatic loss of service to the people.

Fortunately, King's Daughters Medical Center in neighboring Boyd County was able to absorb some of the workers, but Kings Daughters is

also under more pressure because there are fewer beds in the region to respond to surges in COVID-19 while also meeting the other health care needs of the community.

As damaging as that closure was, imagine the effect in a more rural community where there are no other hospitals for many miles. The access to health care would evaporate and the local economy would be dealt a crushing blow by the loss of jobs, wages, and tax revenues. The ripple effects would be felt in both the economic and physical health and in the community.

On the other side of the COVID-19 pandemic, we must have fully functioning hospitals first as places of treatment and healing but also as economic engines. Our communities also need good hospitals to lure businesses to provide them with economic growth and prosperity.

Dr. Yandle, the economist cited earlier, has also identified a few key elements for economic growth. The recipe for growth unsurprisingly has familiar elements that you on this committee already recognize. Those include public policies that make it easy for a business to get started and stay in business, quality education, quality child care, quality public services, and easy access to a hospital.

Can you imagine wanting to start a business or to move for work to an area without access to a hospital? A well-functioning hospital is an asset for any community when the time comes for a company or entrepreneur to decide where to locate. Which of your communities would not cheer at the idea of adding a business that employed 500 people most of whom would be earning well above average?

Hospitals are crucial not only for the physical health of patients but also for the economic life of the communities they serve.

The Commonwealth, the federal government, and the KHA must work together to make sure that we maintain strong hospitals which are the economic generators for their communities and the health of our people.

On behalf of our hospitals large and small, urban and rural, independent or system member, in every corner of the state, please protect us in the year ahead. Please protect Medicaid from cuts. Please make sure that Medicaid Disproportionate Share Hospital Payments, which help offset the cost of uncompensated care, are not cut. Finally, please keep in mind this is the worst possible time to impose any kind of tax increase on our already financially drained hospitals.

We at KHA know that you are facing monumental tasks where the state budget is concerned. But please keep in mind the crucial role our hospitals play both in the health care and the critical economic life of our people.

Please do call on us at KHA any time that we can act as a resource when you are developing health policy. We are eager to be good partners.